

**Statement of the Honorable Mark Green, M.C.**  
**Before the Subcommittee on Domestic and International Monetary Policy,**  
**Trade, and Technology**  
**House Committee on Financial Services**  
**October 1, 2003**

Chairman King, Ranking Member Maloney, distinguished members of the subcommittee, thank you for holding this important hearing on China's exchange rate regime and its effects on the U.S. economy. I very much appreciate the opportunity to provide this testimony on what I view as a critical first step in fighting unfair trade practices and protecting American jobs. I am hopeful this hearing will give us an opportunity to explore China's currency practices, their impact on American producers, and the steps needed to level the playing field.

We have all certainly heard a lot about American jobs in the past few years. Unfortunately, most of this news has not been good. While few sectors seem to have escaped the recent economic downturn, manufacturing has been particularly devastated. In Wisconsin, we have lost over 60,000 manufacturing jobs. We have seen some of our oldest and most established companies, such as Mirro and Evenflo, buckle and finally break under the pressure. As a result, whole communities in Wisconsin have been thrown into turmoil, and many families in my district are now facing an unsettled and troubling future.

There are several factors contributing to the flight of our manufacturing jobs. While all of these factors must be addressed, one of my top concerns is the unfair advantage some east Asian countries, particularly the People's Republic of China, have been creating for their manufacturers through currency manipulation. We simply cannot allow countries like China, to continue their illegal, anti-free market trade practices. Their actions are costing us jobs.

Since 1994, China has pegged its currency at 8.3 yuan to the dollar. The goal behind this effort is simple and intentional – to drive exports and fuel economic development. Their success in this policy has been staggering. Our trade deficit with China has grown from \$20 billion in the early 1990s to an estimated \$125 billion this year. Our ratio of imports vs. exports to China today stands at about 6 to 1.

Throughout this same time period, U.S. manufacturers have struggled to compete with China's economic surge. Fueled by an exchange rate policy that some economists and manufacturers estimate makes Chinese products 15 to 40 percent cheaper compared to U.S. goods, many U.S. manufacturers have found it nearly impossible to compete – no matter how efficient they become.

For the past several years, the world has stood by as China has proclaimed change is forthcoming. We have even brought China into the world community and WTO with the commitment that they would live up to international rules of fair trade, including reforms of their currency policies. Unfortunately, this has not been the case. With 37 straight

months of manufacturing losses in this country, we cannot afford to wait any longer. The time for action is now.

If Congress could pass a law requiring China to, at least partially, float its currency, I would introduce one tomorrow. Unfortunately, Congress does not have that luxury. However, Congress can pass a law to offset the advantage the Chinese are providing for themselves through currency manipulation. In fact, Congressman English, Congressman Ballenger and I have already introduced such a bill. The legislation is called the CHINA Act and it is H.R. 3058.

Under the CHINA Act, the Secretary of the Treasury is required to analyze whether China is manipulating its currency to achieve an unfair advantage in trade. If manipulation is found, the Secretary is directed to levy tariffs in a percent equal to the degree of manipulation. For example, if the secretary finds a 40% advantage, a tariff of 40% would be placed on Chinese goods. Such a high tariff would most certainly help offset the unfair gains Chinese producers have been receiving. Most importantly, this legislation sends a message to other countries that we are prepared to take bold steps to enforce fair trade practices. While I know this committee does not have jurisdiction over this legislation, I am hopeful the members will work with me and my colleagues to pass the CHINA Act through the House.

Getting China to reform its currency policies is going to require a full-court press that includes more than just Congress. That is why I am pleased the Bush administration also supports a free-floating currency for China. Treasury Secretary Snow recently returned from a trip to China in which he continued to press the Chinese to make the necessary reforms and come into compliance with their international obligations. I was also pleased to see the recent success the administration had at the G7 summit, where the organization expressed as “desirable” a more flexible exchange rate regime.

I look forward to continuing to work with the administration and ensuring this body is doing everything it can to enhance their efforts. The CHINA Act is a powerful and appropriate tool that I hope will advance the administration’s efforts and convince China the time has now come for action. No more stalling, no more delaying, no more waiting.

In conclusion, it’s time to get tough with the Chinese and send them a message that we will not stand for their unfair currency policies. American businesses can compete with anyone when the playing field is level, but not when the deck is stacked against us. Good people are losing their jobs and our economy is suffering because the Chinese are not playing by the rules. Our economic future is at stake. It is time for action.

I want to again thank the chairman and the committee for holding this important hearing. I look forward to working with you and seeking solutions to end China’s unscrupulous manipulation of currency.